

## POLICY FOR APPROVAL OF REIMBURSEMENT TO STATE, SCHOOL AND PUBLIC AGENCY EMPLOYERS OF BOARD MEMBERS

By resolution adopted February 18, 2004, the CalPERS Board shall reimburse, as necessary, a state, school, or public agency employer of an elected Board member for the direct and reasonable costs that are incurred by the employer when employing a replacement for the Board member while he or she is fulfilling his or her responsibilities to CalPERS. The Resolution was adopted to implement the provisions of Government Code section 20092 as amended effective January 1, 2004, which allows CalPERS to reimburse the employers of elected board members for the direct and reasonable costs of employing a replacement incurred on or after February 1, 2003.

The direct and reasonable costs for which an employer can be reimbursed under this policy shall include the actual out of pocket expenses incurred by the employer when hiring a replacement. Out of pocket expenses include, but are not limited to, the salary and benefits payable to the replacement and any other costs that are directly related to hiring and retaining persons to replace the member while he or she is fulfilling his or her responsibilities or duties to CalPERS.

All acts taken in accordance with this policy are subject to the strictest fiduciary standards. The Board must exercise their authority in accordance with its fiduciary duties – in particular, the duties to deliver benefits promptly, to pay only reasonable expenses, to minimize employer contributions, and to act with the care, skill, prudence and diligence appropriate to the task at hand.

### PROCEDURE

- 1. Board Member Request.** To initiate the reimbursement process, the attached Request for Employer Reimbursement Form must be completed by the Board member. To the extent possible, the Board member shall provide supporting documentation explaining the costs for which the member is seeking reimbursement on behalf of his or her employer. The Board member shall submit the completed Form and supporting documentation to the Chief Executive Officer and Board President. The Chief Executive Officer will prepare a neutral agenda item for submission to the Benefits and Program Administration Committee.

The Form should be signed by the Board member as well as the employer and should itemize the amount of reimbursement claimed.

- 2. BPAC/Board to Approve Reimbursement.** The Benefits and Program Administration Committee will review the Form and supporting documentation. If necessary or appropriate, the Committee may request

additional information. Based upon its review and analysis, the Committee will make a recommendation to the Board. The Board's decision is final. There is no appeal process.

When the BPAC recommendation/Board decision is to approve the request for reimbursement, the motion should include a statement that the BPAC/Board has made a determination, based on factual findings, that reimbursement is necessary, based upon the Board member's statement, to compensate the employer for the direct and reasonable costs of employing a replacement.

- 3. Advise Employer of Decision.** If the Board approves the request for reimbursement, CalPERS staff will advise the employer that CalPERS will reimburse the employer for the costs claimed.
- 4. Duration of Board Determination.** Each Board determination made under this procedure between January 1, 2004 and March 31, 2004 shall extend through April 30, 2004. Beginning April 1, 2004, every Board determination that reimbursement is necessary shall cover a one-year period, unless the Board specifies a shorter period. To the extent possible, all requests for employer reimbursement should be submitted to the Board president and CEO by April 1 of every year in or after 2004.
- 5. End of the Year Reports.** Beginning on April 1, 2004, every Board member who has requested and been approved for employer reimbursement during the previous 12 months will submit to the Board records verifying the expenses that have been reimbursed.